Summary of the Administration's Proposed WIA Reauthorization Approach

The Workforce Investment Act of 1998 (WIA) provides workforce investment services and activities through statewide and local One-Stop Career Center systems that have at their core the goals of (1) enhanced employment, retention, and earnings of individuals, (2) increased occupational skills attainment, and (3) improved national economic growth through better productivity and competitiveness. The authorization of WIA expires on September 30, 2003. WIA reauthorization is an opportunity to strengthen the coordinating infrastructure and innovation that many states and local communities have developed to serve businesses and individuals with workforce needs.

Reauthorization of WIA also provides an opportunity to further the transformation and integration of the One-Stop Career Center delivery system into a coherent workforce investment system that can respond quickly and effectively to the changing needs of business and the new economy. Reauthorization will build on and improve what works under WIA; it also will identify barriers and fix what doesn't work. Its broad design is to partner and connect with the private sector and with postsecondary education and training, social services, and economic development systems to prepare the 21st century workforce for career opportunities and skills in high growth sectors.

Governance

State and Local Workforce Investment Boards:

WIA called for the establishment of business-led workforce investment boards to oversee WIA implementation at the state and local levels. The statute listed what types of members should participate on the workforce investment boards and specified that boards have a majority of representatives from the business community. Membership requirements were similar for both State and Local Boards.

Since the first stages of implementation, complaints have been heard from many groups that the boards are too large and unwieldy. This has been an issue raised by private sector board members in particular, and as a result, it has been difficult to attract and retain employer participation on the boards. As indicated in the October 2001 report issued by the General Accounting Office (GAO) entitled "Workforce Investment Act: Better Guidance Needed to Address Concerns Over New Requirements," private sector representatives are frustrated with the operations of the boards under WIA. They believe that the boards are too large to effectively address their concerns. And, where some boards have created executive committees or other structures to help deal with the size of the board, these entities may not have employer representation or reflect employer views – contrary to the clear intention of the Act.

According to the National Association of Workforce Boards, the average number of members of State Boards exceeds 40 in most places where new boards have been established since the passage of WIA. GAO found that Vermont had over 40 seats on its board, California had 64, and Pennsylvania had 33. Local Boards can be just as large. For example, GAO found one in Pennsylvania with 43 members and two in California with 45 members. This board size is especially large in comparison to various private-sector corporate boards. For example, General Motors' board of directors has 13 members, while Intel's board has 11.

State Workforce Investment Board (Section 111): The role of the State Workforce Investment Board (State Board) should be strengthened through reauthorization, and the membership requirements should be streamlined. A minimum set of membership requirements should be contained in the statute that consist of: (1) the state agencies responsible for administering the One-Stop partner programs; (2) the state economic development agency; (3) business representatives; (4) worker advocates and (5) state legislators. There would no longer be a requirement to have a business majority, but the chair of the board would still be a member of the business community. Governors would have the authority to expand Board membership.

The State Board should be tasked with setting policies and priorities for the One-Stop Career Center system. Such policies would include the development of minimum service delivery standards, comprehensive outreach strategies, and economic development strategies. Providing state-level administrators of One-Stop partner programs with more authority over One-Stop Career Centers would result in increased support for and partner usage of the system. It would also create a more global approach to addressing workforce needs in a community.

Local Workforce Investment Boards (Section 117): WIA reauthorization should reconfigure the membership and functions of Local Workforce Investment Boards (Local Boards). Statutory language would ensure that Board members represent the leading industry sectors as well as geographic areas within the local community. Membership should be streamlined by removing the requirement that the One-Stop partner programs have a seat on the local boards. This would provide an increased voice for business representatives, education officials, community groups and worker advocates, enabling Boards to be more responsive to local needs. One-Stop partner officials would retain involvement in the local system through the local One-Stop memorandum of understanding (MOU) process. Local Boards would also have the option of creating "Operating Committees" comprised of One-Stop partners and other key parties to provide advice on operational issues. In addition, partner programs would benefit from having an increased voice on the State Boards.

The functions of the Local Boards should be focused on strategic planning and policy development activities. WIA attempted to move Local Boards away from operational details and towards strategic planning. However, such a shift has not occurred in many areas. In some local areas, three entities are actually trying to "lead" the local system: (1) employer groups such as local chambers of commerce; (2) the Local Board, which does not have the appropriate business leadership as members; and (3) One-Stop operators that are not getting adequate policy direction from the State and Local Workforce Investment Boards. The employer groups are frequently frustrated that they are not able to connect with or access resources from the Local Board, and as a result, request funding directly from the U.S. Department of Labor. Rather than three "parallel systems" at the local level, there should be one comprehensive system for workforce investment that utilizes One-Stop Career Centers as the delivery mechanism governed by the Local Workforce Investment Board.

Youth Councils (Section 117): WIA required each Local Workforce Investment Board to establish a Youth Council tasked with coordinating youth activities in the local area. Councils are comprised of Local Board members with special interest or expertise in youth policy, representatives of juvenile justice agencies, parents, and other groups. Although not required by law, some states have taken the initiative to establish State Youth Councils. In reauthorization, the requirement for local Youth Councils should be dropped because in many areas, Youth Councils are floundering and have not added value to local system efforts. However, Governors and chief elected officials would retain the authority to create Youth Councils if it is believed the Councils add value in their areas.

Grandfathering (Sections 111 and 117): WIA gave Governors and chief elected officials broad authority to grandfather State and Local Boards that were in existence prior to the enactment of WIA. This was due to the desire to maintain smaller, and more manageable boards. However, many states and local areas did not establish the types of comprehensive boards authorized under WIA. According to Department of Labor data, 27 states are using grandfathered state boards and 15 states chose to grandfather the local boards (private industry councils) that were established under the Job Training Partnership Act. In order to drive system reform, and because boards would be smaller under this proposal, the grandfathering provisions should be dropped as part of the reauthorization process.

Local Area Designation (Section 116): Agreements on local area designations should be made as a result of discussions at the state and local level – without federal interference. One change that should be made as part of reauthorization is the elimination of a local area's right to appeal non-designation to the Secretary of Labor. Local area appeal rights should end at the state level. In addition, the initial and subsequent designation provisions should be eliminated to allow Governors to better align local workforce investment areas with local labor market areas or economic development regions.

Planning (Sections 112, 118 and 501): Under current law, states and local areas are required to submit strategic plans every five years. The statute outlines the types of information that must be contained in the plan. While strategic planning is important, the plans are currently not living documents that are updated to reflect changing economic situations or state/local priorities. The Department of Labor issued comprehensive guidance on the state plan modification process. However, very few modifications have been received over the past few years even though some states have changed Governors, and many have experienced slowing economic conditions. The planning cycle for state and local plans should be reduced to two years.

One-Stop Career Center System

One-Stop Infrastructure (Section 121): Under title I of WIA, One-Stop partner programs (such as Adult Education, Vocational Rehabilitation and Unemployment Insurance) are required to contribute a portion of their funds to create and maintain the One-Stop delivery system. This is to be accomplished by One-Stop partners negotiating cost allocation and resource sharing through memoranda of understanding developed at the local level. However, there are many areas around the country where cost sharing has still not been resolved, even though WIA has been operational for several years. This was one of the key barriers to effective WIA implementation identified by GAO in their 2001 report on WIA. These ongoing debates on financial issues prevent local partners from fully focusing on services to customers. Guidance issued by DOL and partner agencies has not adequately resolved this issue.

Through WIA reauthorization, the operational cost of the One-Stop system should be financed through dedicated "One-Stop infrastructure" funding. This One-Stop infrastructure funding would alleviate a great deal of the current local negotiation issues and allow local areas to focus on what is most important -- meeting the needs of businesses and workers. Each partner program would contribute a portion of their funds to the One-Stop infrastructure funding – either at the Federal level or as a set-aside at the state level. This approach would create a greater sense of partner "ownership" of the system than currently exists and would move toward comprehensive workforce system reform by using existing dollars to support an integrated service delivery system at the state and local level. Research is currently being done to determine the amount of funding that would be needed. Funding would go to the Governor for local allocation. State and local partners could augment this funding as needed. The State Board would work with the Governor to determine the most strategic uses for this funding within the state.

Comprehensive Array of Services (Section 134): One-Stop Career Centers offer employment and training assistance to a universal worker population, but do not offer a broad range of products and services (such as work supports and other supportive services) to low-wage workers. Through reauthorization, local areas should be authorized to provide a wide-range of services for low-wage workers that would enhance career advancement opportunities through the One-Stop system. Focusing on access to financial work supports (such as Food Stamps and Medicaid transitional assistance) and retention and advancement services (such as on-site child care and training during nontraditional hours) in a One-Stop setting would address the needs of both employers and members of the country's low-wage workforce. These supports and services would be funded by a variety of One-Stop partners and made available through the One-Stop system.

Services to Targeted Populations (Section 134): A concern has been raised that a move towards universal service has resulted in less effective services to at-risk populations such as individuals with disabilities, migrant and seasonal farmworkers, and older workers. Reauthorization should remove any barriers to serving targeted populations through a comprehensive One-Stop system. By eliminating such barriers, the system would become more dynamic and flexible while maintaining a universal access focus. Most importantly, changes should be made to the current performance accountability system in order to ensure that local program operators are not driven away from serving those most in need.

Comprehensive Services for Adults

Consolidated Funding Stream (Sections 131 and 133): Currently, the WIA Adult, WIA Dislocated Worker and Wagner-Peyser funding streams finance similar services targeted to similar populations. The combining of these three funding streams into a single formula grant would result in streamlined program administration at the state and local level and the reduction of current duplication and inefficiency. In this streamlined proposal, labor exchange services would be the foundation of the One-Stop Career Center system, with the remaining funds focused on training and intensive services. One-Stop operators would no longer have to track multiple streams of funds. The consolidation would also give states and local areas greater flexibility to integrate WIA title I service delivery with the TANF program. In states that have developed an integrated model, TANF has become the primary funding stream for serving low-income workers; with WIA funding being used to serve dislocated workers and employed adults.

This change would build upon current law that allows up to 20 percent to be transferred between the Adult and Dislocated Worker funding streams. In Program Year 2001, 30 states utilized this authority. The fiscal year 2003 appropriation raised the transfer limit to 30 percent.

WIA reauthorization should also build strong connections between the One-Stop system and programs funded under adult education and vocational education. As a result of these connections, adult and youth participants would have access to a more comprehensive and necessary array of services.

State Allotments: The formula for the comprehensive adult program should take into account the formula factors used for the Adult, Dislocated Worker and Wagner-Peyser programs. In addition, the Secretary's reallotment authority would be based on expenditures rather than obligations. This should strengthen targeting of resources to areas where need is demonstrated.

Within-State Allocations: Currently all Wagner-Peyser funds are retained at the state level. Fifteen percent of WIA Adult funds can be used for statewide activities, and up to forty percent of WIA Dislocated Worker funds can be used for statewide activities and rapid response. As part of reauthorization, Governors would allocate at least 50% of the combined funding stream to local areas – 40% according to a statutory formula and 10% according to a formula to be determined by the Governor based on economic and demographic factors. The remaining 50% would be available to the Governor for activities such as rapid response, support for core services in the One-Stop system, evaluations and demonstrations.

National Reserve/National Dislocated Worker Grants: The WIA reauthorization proposal would increase the proportion of funding that goes to the National Reserve for National Dislocated Worker Grants (formerly National Emergency Grants). National Dislocated Worker Grants would be provided to states and localities at the Secretary's discretion to address special layoff situations. Increasing the proportion of funding that is available for this targeted, flexible assistance would continue to improve services to dislocated workers.

Increased Opportunities For Training (Sections 134): Under current law, many states and local areas have misinterpreted the "sequence of service" strategy (how a participant moves from core to intensive to training services), often interpreting it to require individuals to spend a specific amount of time in one tier of service before moving onto the next. In some extreme circumstances, this has resulted in individuals being placed in low-paying jobs without access to the additional services they need in order to succeed in today's competitive economy. WIA reauthorization should provide greater flexibility in the delivery of core, intensive and training services. Individuals should have the opportunity to receive the services that are most appropriate for their unique needs. A priority of service should be placed on unemployed workers. In addition, if a state determines that funds are limited, a second-tier priority would also be placed on low-income individuals. Concurrent delivery of services such as English as a Second Language and occupational training would also be specifically authorized as needed.

Simplify Eligible Training Provider Provisions (Section 122): The current eligible training provider requirements are overly burdensome. For example, providers must report performance outcomes for all of their students, not just students who receive WIA funding. As a result, many training providers are deciding not to participate in the system. Federal and state confidentiality laws often make compliance with current requirements difficult, if not impossible. Rather than increasing customer choice, the current requirements have had the unintended effect of reducing customer choice due to limited numbers of eligible training providers in some states. WIA should provide Governors with the authority to determine what standards, information and data would be required for the eligible training providers in their state. Providing Governors with such authority would result in an improved eligible training provider system. This revised approach would ensure the continuation of such key ideas as customer choice and provider accountability while making it easier for training providers to participate in the system. The Governor would be required to set minimum standards for all providers in a manner that would ensure quality choice and accountability to the Federal government.

Services to Employed Workers (Section 134): While customized training and on-the-job training (OJT) services are authorized under title I of WIA, they are perceived as being overly bureaucratic, making them unattractive to employer customers. Also, incumbent worker training can be currently funded only through the Governor's 15 percent reserve account. Many employer groups have indicated that greater flexibility in providing services to incumbent workers is needed. WIA reauthorization should simplify the requirements for customized training, OJT and incumbent worker training. Current statutory requirements would be simplified in a way that would increase employer utilization of these tools while maintaining fiscal integrity. For example, with the approval of the Governor, local areas could spend up to 10 percent of their Adult funds on incumbent worker training. An employer match would be required. The amount of the match would be determined according to the size of the employer.

Expanded Use of Individual Training Accounts (Section 134): WIA created Individual Training Accounts (ITAs) to enable participants to choose among available training providers, thus bringing market focus into federally funded training programs. Currently, states and local areas have a great deal of authority to develop policies related to procedures for making payments as well as restrictions on duration or amount of the ITA. However, ITAs are generally limited to WIA title I Adult and Dislocated Worker training funds. WIA reauthorization should expand the concept of Individual Training Accounts by changing them into Career Scholarships. In addition to being the vehicle for obtaining training with WIA funds, Career Scholarships could be enhanced by adding other resources such as private (employer paid) and individual training resources to facilitate training. Career Scholarships would be available to unemployed as well as certain groups of employed workers.

Establishment of Reemployment Accounts: WIA reauthorization would establish authority to create Reemployment Accounts – special self-managed accounts for use by individuals who are out of work and who have been identified as very likely to exhaust their Unemployment Insurance benefits. The accounts would allow these individuals to more personally control their workforce fate, reduce the need for unemployment compensation and speed placement into an unsubsidized job.

A Targeted Approach to Serving Youth

Focus Resources on Out-of-School Youth (Sections 126-129): Currently, funds for the WIA youth program are spread too thinly across the country due to the statutory formula and lack of strategic direction. WIA reauthorization should reform current programs for youth through a

Targeted State Formula program designed to serve out-of-school youth. Formula funds would be allocated to states, and, as under current law, the Governor and the State Board would be responsible for setting policies and strategies to guide the use of the funds at the local level. Governors would have discretion to target funds to local areas with the highest eligible youth population.

Challenge Grants to Cities and Rural Areas (Section 169): Cities and rural areas with programs that incorporate proven strategies would apply to the Department of Labor for this targeted funding. This includes lessons learned from the Youth Opportunity Grant initiative and other demonstrations. Grantees would need to demonstrate partnerships, financial contributions from a variety of sources including the education and business communities, and inclusion of "best practices" as part of the program design. These grants would provide a "laboratory" to test out and lead improvements in the larger formula grant program.

Performance Accountability

Core Indicators of Performance (Section 136): Since the implementation of WIA, states and local areas have raised concerns about the seventeen statutory performance indicators under WIA title I. The measures are perceived to be too numerous and overly burdensome. In addition, the utility of some of the measures (such as customer satisfaction) as federally-required measures has been questioned. Through reauthorization, the number of performance indicators should be reduced form seventeen to eight. The current WIA title I performance indicators should be replaced by the eight indicators (4 for youth and 4 for adults) being developed by the Federal partner agencies as part of the new common measures initiative for employment and job training programs. Some Federal partners may retain other measures of importance to their programs. Governors would have the authority to add additional measures for use within their state, including the customer satisfaction and adult credential attainment measures.

Common Definitions (Section 136): Different federal job training programs seldom define performance indicators in a common manner, resulting in confusion and burden at the state and local level. For example, "entered employment" is a performance outcome tracked for many One-Stop partner programs; however, the definition varies from WIA title I to the employment service to adult education. As part of the common measures initiative, the core set of measures would also have a common set of definitions and data sets. This would help integrate service delivery through the One-Stop Career Centers at the local level. Streamlining and simplifying the requirements would also lead to increased co-enrollment flexibility among programs, ultimately leading to potential cost savings at all levels of the system.

Negotiation of Performance Outcomes (Section 136): The WIA reauthorization proposal would strengthen the current performance accountability process by establishing long-term national performance goals. These national targets, which would be established through notice and comment rulemaking, would form the basis of state-level negotiations, with the individual state negotiated levels averaging the established national targets. This approach would ensure that performance levels established for the job training common measures are challenging. In addition, the proposal should address rigidity that exists in the current performance negotiation process between states and the Department. This process does not allow local workforce investment areas to target the needs of special populations (such as ex-offenders or migrant and seasonal farmworkers). Through reauthorization, a more dynamic performance negotiation process should be designed that would take into account local labor market needs and the characteristics of individuals being served. The Act currently allows for this flexibility, but stronger language would be added to the statute to encourage all levels of the system to take a variety of factors into account when establishing levels of performance. Such factors could include differences in economic conditions, such as the rate of job creation or loss, and differences in participant characteristics, such as indicators of poor work history or welfare dependency.

Focus on Fiscal Integrity (Section 184): Through WIA reauthorization, strong fiscal controls need to be established at all levels of the system. An emphasis should be placed on data validation, strengthened monitoring and oversight in order to ensure appropriate use of federal funds. Prudent use of taxpayer dollars is a core principle.

State Flexibility

Expanded Waiver Authority (Section 189): Over 30 states have received waivers under the general waiver authority contained in title I of WIA. However, this authority is perceived to be very limited. Statutory limitations to increased waiver authority should be removed. In addition, the Department does not have the authority to grant a blanket waiver. Each individual waiver request must go through an administrative review process. Through reauthorization, this process should be simplified.

Block Grant Authority (Section 192): Section 192 currently allows states to be designated as "Work-Flex" states in order to receive greater flexibility in administering WIA programs. No state has requested this authority under WIA since there is a perception that the process is too bureaucratic. Through reauthorization, this section should be simplified to allow a "State Option" in which Governors could apply for block grant authority. Under this option, Governors would have complete discretion as to how to administer WIA title I formula programs – both adult and youth. The Governors would determine sub-state funding and governance structures. The block grants would be guided by a set of guiding parameters. Such parameters should include use of the One-Stop Career Center system as the core service delivery system as well as a basic set of services to be provided. However, Governors would have the responsibility for selecting partner programs and the array of services. Governors administering their programs under the State Option would need to submit a plan, similar to the TANF plan, to the Department. This plan would include expected levels of performance under the Federal common measures for employment and job training programs. A state that fails to meet negotiated levels of performance two years in a row would be subject to sanctions and loss of the authority to run programs under this option.